

ORIGINAL



0000128120

BEFORE THE ARIZONA CORPORATION COMMISSION

**COMMISSIONERS**

GARY PIERCE- CHAIRMAN  
BOB STUMP  
SANDRA D. KENNEDY  
PAUL NEWMAN  
BRENDA BURNS

2011 AUG -5 P 3:39

AZ CORP COMMISSION  
DOCKET CONTROL

Arizona Corporation Commission

**DOCKETED**

AUG 5 2011

DOCKETED BY

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. T-20737A-10-0144  
CREXENDO BUSINESS SOLUTIONS, INC. FOR )  
A CERTIFICATE OF CONVENIENCE AND )  
NECESSITY TO PROVIDE INTRASTATE AND )  
FACILITIES-BASED LOCAL EXCHANGE )  
TELECOMMUNICATIONS SERVICES. )

**RESPONSE TO STAFF REPORT**

Crexendo Business Solutions, Inc. (Crexendo) respectfully submits this response to the Staff Report dated May 2, 2011. Crexendo appreciates Staff's extensive and detailed work on this matter, and Crexendo apologies for the misunderstanding noted in the Staff Report. In response to the Staff Report, Crexendo presents the following additional information that Crexendo hopes will be helpful to the Commission in their evaluation of this matter.

Crexendo's founder is Steven G. Mihaylo, a highly-respected Arizona businessman who has extensive experience in telecommunications. Crexendo has already spent \$2 million on a headquarters building in Tempe, and expects to hire up to 100 employees within the next year. Crexendo is already licensed or authorized to provide telecommunications services in over 40 states.

Staff expresses concern about Crexendo's failure to disclose certain information in its application. However, as explained in the Affidavit of Jeffrey G. Korn (docketed on May 25, 2011), this failure was due to an honest misunderstanding of the scope of the question. There is no question that Crexendo has the managerial, financial and technical capability to provide telecommunications services. It should not be denied a CC&N due to a simple misunderstanding that has been remedied.

1 **I. Background.**

2 Crexendo provides VOIP-based telecommunications services to small businesses.  
3 Crexendo provides "cloud based" services, combining phone menus, voice mail, email, and fax  
4 into one simple online application. Crexendo is licensed or authorized to provide  
5 telecommunications services in over 40 states.

6 Crexendo has selected Tempe as its future headquarters, and Crexendo spent over \$2  
7 million on an office building. Crexendo plans to employ up to 100 people at this office by mid-  
8 2012. The office has capacity for up to 200 employees. Most of these jobs will be good, high-  
9 paying jobs like network engineers and other technical and sales professionals, as well as  
10 Crexendo's executive team.

11 Crexendo's founder and CEO is Steven G. Mihaylo. Mr. Mihaylo has been a respected  
12 businessman for over 30 years. In 1969, Mr. Mihaylo founded Inter-Tel Incorporated (Inter-Tel), a  
13 Phoenix-based firm that provided international business telephone systems and software. Over the  
14 years, Mr. Mihaylo grew Inter-Tel to over 2,000 employees in 70 locations worldwide, with over  
15 \$500 million in annual sales. Inter-Tel was sold in 2007 for \$750 million.

16 Mr. Mihaylo has also been very active in the community. He is the founder of the Steven  
17 G. Mihaylo Big Bear High School Foundation, a foundation that provides scholarships and after-  
18 school programs. The Foundation has more than \$2 million in assets. Mr. Mihaylo served as the  
19 Chairman and President (1981-1995) of the Arizona Science Museum, including leading a \$150  
20 million capital campaign for construction of the Museum. He also served on the boards of the  
21 Arizona Heart Foundation (1981-1995) and Junior Achievement of Arizona (1981-2005). He was  
22 also the chairman (2003-2010) of the capital campaign for the College of Business and Economics  
23 at California State University - Fullerton, successfully raising \$20 million towards a new business  
24 school building. For his extensive community service and leadership, Mr. Mihaylo has been  
25 honored with many awards, including:

- 26 • University of Arizona Entrepreneurial Fellow Award (1984)
- 27 • Ernst & Young / Southwest Airlines Entrepreneur of the Year Award (1995)

- Junior Achievement Gold Leadership Award (1998)
- Junior Achievement Man of the Year Award (1999)
- Juvenile Diabetes Man of the Year Award (2003)
- Honorary Doctor of Humane Letters, California State University – Fullerton

Mr. Mihaylo's outstanding reputation is shown by the public comment letters documenting his character, reputation and community involvement. A copy of Mr. Mihaylo's resume is attached as Exhibit A.

**II. Response to concerns raised by Staff.**

Staff raised concerns about Crexendo's answer to Questions A-12 and A-13 on the CC&N Application. In particular, Staff believes that Crexendo should have disclosed: (1) a federal criminal plea agreement and FCC debarment for Inter-Tel Technologies, Inc. (Inter-Tel Tech), a subsidiary of Inter-Tel; and (2) various lawsuits concerning StoresOnline, an affiliate of Crexendo. The failure to disclose these matters was simply due to a misunderstanding of the question. In fact, the StoresOnline lawsuits were disclosed in note 9 to the financial statements of Crexendo's parent (iMergent, Inc.) attached to the application. Thus, there was no intent to hide the StoresOnline lawsuits. Regarding the Inter-Tel Tech case, Jeffrey G. Korn, Chief Legal Officer of Crexendo, provided an affidavit explaining that "[b]ased on my reading of the question, and the advice of our national telecommunications regulatory counsel", his "sincere belief was that the Inter-Tel matter was not within the scope of Questions A-12 and A-13." (Affidavit of Jeffrey G. Korn, attached as Exhibit B.) Thus, the failure to include these matters in the response to Questions A-12 and A-13 was a simple misunderstanding. This misunderstanding has no bearing on Crexendo's fitness to receive a Certificate of Convenience and Necessity. Crexendo understands the importance of responding to Commission questions fully and forthrightly.

In addition, the substance of the StoresOnline and Inter-Tel Tech matters are no cause for concern. The StoresOnline lawsuits concerned StoresOnline's sales seminars for website and search engine optimization strategies for entrepreneurs and small businesses. StoresOnline is discontinuing the sales seminars, and it has also implemented extensive safeguards and training to

1 prevent similar problems in the future. In addition, all of these lawsuits have been settled.  
2 Moreover, StoresOnline is a separate business from Crexendo.

3 The Inter-Tel Tech matter has even less connection to Crexendo. Inter-Tel Tech was a  
4 subsidiary of Inter-Tel. Two rogue sales consultants in San Francisco engaged in a scheme related  
5 to the FCC's E-Rate universal service program. As a result, the FCC debarred Inter-Tel Tech (but  
6 not Inter-Tel itself) from participation in the E-Rate program for one year. The FCC's order noted  
7 that the United States Department of Justice (DOJ) filed a letter explaining that Inter-Tel Tech  
8 cooperated in the investigation by "supplying information and documents as well as encouraging  
9 current or former employees to cooperate."<sup>1</sup> The DOJ also said that "the nature, speed and extent  
10 of Inter-Tel's cooperation has been very helpful in developing [its] investigation to date."<sup>2</sup> This  
11 incident concerned two out of over 2,000 employees. Mr. Mihaylo had no involvement  
12 whatsoever in the fraudulent conduct, and his only involvement in the matter was negotiating and  
13 signing the plea agreement with the DOJ. As described earlier, Mr. Mihaylo's character,  
14 reputation and community involvement are well-documented and not subject to question.

15 **III. Bond issue.**

16 Staff recommends that, if the Commission grants Crexendo a CC&N, the Commission  
17 should require Crexendo to post a bond or irrevocable sight draft letter of credit (ISDLC) of  
18 \$1,125,000.<sup>3</sup> The bond amount includes Staff's standard \$125,000 bond amount, plus an  
19 additional \$1,000,000, based on Staff's review of the StoresOnline and Inter-Tel Tech matters.<sup>4</sup>  
20 As explained above, the StoresOnline and Inter-Tel Tech matters are not probative evidence of  
21 Crexendo's fitness for a CC&N.

22 In order to demonstrate its interest in operating in Arizona, including the further  
23 development of its headquarters, Crexendo is willing to post a bond or ISDLC including the extra  
24 \$1 million. However, Crexendo requests that the extra \$1 million only be required for two or three  
25

26 <sup>1</sup> *Inter-Tel Technologies, Inc.*, FCC 06-92 (Rel. June 30, 2006) at ¶ 16.

27 <sup>2</sup> *Id.*

<sup>3</sup> Staff Report at 2-3.

<sup>4</sup> Staff Report at 7.

1 years, and that after that time the bond amount be reduced to the standard \$125,000. By that time,  
2 Crexendo believes that the Staff's concerns underlying the request for the bond will be  
3 ameliorated. Freeing up the \$1 million at that time will allow Crexendo to devote additional  
4 funding to accelerate the economic development by expanding its presence in Arizona.

5 **IV. Public Interest.**

6 It is in the public interest to grant Crexendo a CC&N. Crexendo plans to add 100  
7 employees to its Tempe headquarters in the next year. It may add a further 100 employees in the  
8 future. Given Arizona's weak job market, these good-paying jobs are a benefit to the State. The  
9 State also gains from having a growing company headquartered in Arizona. Finally, granting a  
10 CC&N will increase competition in the small business telecommunications market segment, and  
11 will expand the availability of cutting-edge cloud-based telecommunications services to that  
12 segment. For these reasons, granting the CC&N is in the public interest.

13 **V. Update regarding status in other states.**

14 Crexendo holds certificates to provide interexchange and competitive local exchange  
15 service in 41 states. Crexendo is also authorized to provide interexchange service in one  
16 additional state (Arkansas). In addition, Crexendo has applications pending in seven additional  
17 states. A chart showing the status of Crexendo's certificate applications in each state is attached as  
18 Exhibit C.

19 Crexendo withdrew its application in one state, South Carolina. In South Carolina, the  
20 Commission Staff recommended approval, but the ALJ expressed concern regarding: (1) a lawsuit  
21 by the North Carolina Attorney General against StoresOnline; and (2) the fact that Crexendo was  
22 not certificated in its home state, Arizona. The ALJ recommended that the South Carolina  
23 Commission deny Crexendo's application. On November 10, 2010, the South Carolina Public  
24 Service Commission entered a directive (similar to a minute entry) denying Crexendo's  
25 application (attached as Exhibit D). Crexendo asked that that the denial be vacated, and that it be  
26 allowed to withdraw its application without prejudice to refiling later. The Commission granted  
27 this request in a Directive dated December 1, 2010 (attached as Exhibit E), and on December 10,

ROSKA DEWULF & PATTEN, PLC  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET - SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

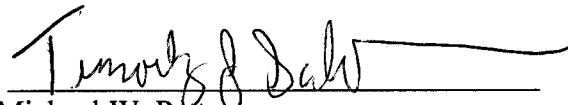
2010 the Commission issued a formal written order vacating the denial and allowing Crexendo to withdraw its application without prejudice (Exhibit F).

**VI. Conclusion.**

Staff does not dispute that Crexendo has the financial, technical and managerial capabilities to provide service. Nor does Staff claim that Crexendo fails to meet any of the CC&N requirements in A.A.C. R14-2-1105. Staff's objection to issuing a CC&N relates to the failure to disclose the StoresOnline and Inter-Tel matters. This was simply an honest misunderstanding. The Commission should not reject the CC&N on this basis. In addition, granting a CC&N is in the public interest as described above. Moreover, Crexendo's founder, Mr. Mihaylo, has an excellent reputation and a track record in founding a very successful Arizona-based business. He wants to base his new business – Crexendo – in Arizona. It would be very odd if Crexendo were licensed in 41 other states, but not its home state. And it would be unfortunate if a CC&N denial drove this growing business from the state. For all of these reasons, the Commission should grant a CC&N to Crexendo. Crexendo also requests that Staff's proposed bond or ISDLC requirement be modified as discussed above.

RESPECTFULLY SUBMITTED this 5<sup>th</sup> day of August 2011.

ROSKA DEWULF & PATTEN, PLC

By 

Michael W. Patten  
Timothy J. Sabo  
One Arizona Center  
400 East Van Buren Street, Suite 800  
Phoenix, Arizona 85004

Attorneys for Crexendo Business Solutions, Inc.

Original and 13 copies of the foregoing  
filed this 5<sup>th</sup> day of August 2011 with:

Docket Control  
Arizona Corporation Commission  
1200 West Washington Street  
Phoenix, Arizona 85007


ROSHKA DEWULF & PATTEN, PLC  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET - SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

1 Copy of the foregoing hand-delivered/mailed  
2 this 5<sup>th</sup> day of August 2011 to:

3 Yvette Kinsey, Esq.  
4 Administrative Law Judge  
5 Hearing Division  
6 Arizona Corporation Commission  
7 1200 West Washington  
8 Phoenix, Arizona 85007

9 Janice M. Alward, Esq.  
10 Chief Counsel, Legal Division  
11 Arizona Corporation Commission  
12 1200 West Washington  
13 Phoenix, Arizona 85007

14 Steve Olea  
15 Director, Utilities Division  
16 Arizona Corporation Commission  
17 1200 West Washington  
18 Phoenix, Arizona 85007

19  
20  
21  
22  
23  
24  
25  
26  
27  
By 

**EXHIBIT**

**"A"**

|                         |  |                     |
|-------------------------|--|---------------------|
| <b>Community</b>        | <b>Founder – Steven G. Mihaylo Big Bear High School Foundation</b>   | <b>1981-Present</b> |
|                         | <ul style="list-style-type: none"> <li>• A foundation with broad-based community support</li> <li>• Provides funds to the community's children for various after school programs</li> <li>• Provide college scholarships for deserving local high school graduates</li> <li>• The Foundation currently has over \$2 million in assets and is growing annually</li> </ul>   |                     |
|                         | <b>Chairman &amp; President – The Arizona Science Museum in Phoenix, AZ</b>  | <b>1981-1995</b>    |
|                         | <ul style="list-style-type: none"> <li>• Took this project from its initial concept to a world class science museum in less than 15 years.</li> <li>• Recruited a top notch group of local business leaders, from the largest businesses in Arizona, to join the board of directors.</li> <li>• Lead the campaign to raise over \$150 million for the construction of this world class museum facility through a combination of private and public funding.</li> </ul> |                     |
|                         | <b>Arizona Heart Foundation – Board Member</b>   | <b>1981-1995</b>    |
|                         | <b>Junior Achievement of Arizona – Board Member</b>  | <b>1981-2005</b>    |
|                         | <b>Arizona State University – Dean's Council of 100 – Board Member</b>   | <b>1984-1995</b>    |
|                         | <b>Recipient – University of Arizona Entrepreneurial Fellow Award</b>  | <b>1984</b>         |
|                         | <b>Recipient – Ernst &amp; Young/Southwest Airlines Entrepreneur of The Year Award</b>   | <b>1995</b>         |
|                         | <b>Recipient – Junior Achievement Gold Leadership Award</b>  | <b>1998</b>         |
| <b>Other Activities</b> | <b>Recipient – Junior Achievement Man of the Year Award</b>  | <b>1999</b>         |
|                         | <b>Recipient – Juvenile Diabetes Man of The Year Award</b>   | <b>2003</b>         |
|                         | <b>Chairman – CSUF -- College of Business and Economics – Capital Campaign</b>   | <b>2003-2010</b>    |
|                         | <ul style="list-style-type: none"> <li>▪ Lead the campaign to raise over \$20 million in private funding for the new \$90 million, 200,000 square foot, Business School building.</li> <li>▪ The Business School building will house the largest business school in California and the fourth largest business school in the United States.</li> </ul>   |                     |
|                         | <b>California State University Fullerton – Dean's Advisory Board – Board Member</b>  | <b>2003-Present</b> |
|                         | <b>Pilot – Airline Transport Pilot Rating</b>  | <b>1971-Present</b> |
|                         | <ul style="list-style-type: none"> <li>• Over 10,000 hours of flight time and over 40 years of flying experience</li> <li>• Type rated in most Lear Jet model aircraft.</li> <li>• Type rated in several Cessna Citation aircraft.</li> </ul>  |                     |
|                         | <b>Member -- Young Presidents Organization (YPO)</b>   | <b>1981-1993</b>    |
|                         | <b>Member – World Presidents Organization (WPO)</b>  | <b>1993-Present</b> |
|                         | <b>Enjoy Skiing, Boating, Running, and Aerobic Exercising</b>  | <b>Lifelong</b>     |
| <b>Family</b>           | <b>Involved in Numerous Charitable Organizations – Especially educational based</b>  | <b>Lifelong</b>     |
|                         | <b>Single (Divorced)</b>   |                     |
| <b>References</b>       | <ul style="list-style-type: none"> <li>• Two grown daughters ages 27 and 30</li> <li>• Three grandsons ages nine, seven and four</li> </ul>  |                     |
|                         | <b>Dr. Russell Reynolds – Retired Superintendent of Schools, Big Bear Lake, CA</b>   | <b>909-866-3861</b> |
|                         | <b>Dr. Anil Puri – Dean of the College of Business &amp; Economics – California State University Fullerton, CA</b>   | <b>714-278-3216</b> |
|                         | <b>Mr. Karl Eller – The Eller Group, Phoenix, AZ</b>   | <b>602-977-9820</b> |
|                         | <b>Mr. Kenneth Urish – Urish Popeck &amp; Co., Accountants &amp; Consultants, Pittsburgh, PA</b>   | <b>412-391-1994</b> |
|                         | <b>Mr. Arthur Fein – Private Investor, Lloyd Harbor, NY</b>  | <b>516-770-6600</b> |

Additional references available on request

**STEVEN G. MIHAYLO**Email: [steve.mihaylo@yahoo.com](mailto:steve.mihaylo@yahoo.com)Website: [www.stevemihaylo.com](http://www.stevemihaylo.com)

Cell Phone: (775) 530-3955

**Work History****United States Army – 101<sup>st</sup> Airborne Division -- Fort Campbell, KY****1951-1961**

- Radio and Radar technician – Assigned to the 327<sup>th</sup> Infantry Group
- Responsible for maintaining and repairing electronic equipment
- Served in California, Kentucky, Tennessee, Mississippi and Georgia

**AT&T – Western Electric Division, Phoenix, AZ****1964-1966**

- Field Service Engineer -- Responsible for identifying Central Office problems and recommending solutions to the Engineering Design Group in Illinois.
- Worked throughout the western United States, including the Strategic Air Defense Command site at Cheyenne Mountain, Colorado Springs, CO.

**Inter-Tel, Incorporated – Phoenix, AZ****1969-2007**

- Founder, Chairman, President & CEO
- Founded Inter-Tel July 15, 1969
- Grew from a single employee in one location to over 2,000 employees in over 70 locations worldwide with nearly \$500 million in annual sales.
- Successfully competed against such industry giants as AT&T, Nortel Networks, Nippon Electric, Seimens and Cisco Systems in the international business telephone systems and software market for over 38 years.
- Grew to be the largest and most profitable stand-alone supplier to the mid-sized business telephone systems and software market in the United States with approximately 20% market share.
- Successfully raised over \$100 million in four public stock offerings during 1981, 1982, 1995 and 1997.
- Returned approximately \$100 million to shareholders in the form of stock dividends from 1998 to 2007.
- Returned approximately \$200 million to shareholders in the form of stock repurchases (20+ million shares) from 1986 through 2005.
- Successfully sold Inter-Tel for \$750 million in 2007, ultimately returning over \$1.1 billion to shareholders in the form of the sale, dividends and stock repurchases.

**Crexendo, Inc.****2008-Present**

- Chairman & CEO
- Crexendo provides Cloud-based web services and digital telecom services to businesses and consumers.

**Education****Big Bear High School, Big Bear Lake, CA****1961****California State University – Fullerton, Fullerton, CA****1969**

- BA Business Administration in Accounting & Finance
- Completed a four degree in less than two and a half years

**California State University – Fullerton, Fullerton, CA****2005**

- Honorary PhD – Doctor of Humane Letters

**EXHIBIT**

**"B"**

BEFORE THE ARIZONA CORPORATION COMMISSION

**COMMISSIONERS**

GARY PIERCE- CHAIRMAN

BOB STUMP

SANDRA D. KENNEDY

PAUL NEWMAN

BRENDA BURNS

IN THE MATTER OF THE APPLICATION OF ) DOCKET NO. T-20737A-10-0144  
CREXENDO BUSINESS SOLUTIONS, INC. FOR )  
A CERTIFICATE OF CONVENIENCE AND )  
NECESSITY TO PROVIDE INTRASTATE AND )  
FACILITIES-BASED LOCAL EXCHANGE )  
TELECOMMUNICATIONS SERVICES. )  
)

**AFFIDAVIT OF  
JEFFREY G. KORN**

STATE OF UTAH )  
COUNTY OF UTAH )

JEFFREY G. KORN having been duly sworn, deposes and says:

1. I am a resident of Travis County, Texas and I am of legal age.

2. I am the Chief Legal Officer of iMergent, Inc. and its affiliate, Crexendo Business Solutions, Inc. ("Crexendo").

3. My responsibilities include regulatory matters for Crexendo, including obtaining Certificates of Convenience and Necessity from state public utility commissions.

4. I was responsible for overseeing the preparation of Crexendo's application submitted on April 12, 2010 in this docket. I was responsible for answering all of the questions in the application.

5. I attempted to answer the questions to the best of my knowledge and ability, after consultation with our national telecommunications regulatory counsel, Lance J. M. Steinhart, Esq.

6. I signed the certification on page 9 of the Application.

7. In answering questions A-12 and A-13 of the Application, I noted that the question asked for cases where "the Applicant or any of its officers, directors, partners or managers has

1 been or are currently involved" in any criminal, civil, or regulatory proceedings. Based on my  
2 reading of the question, after conferring with Mr. Steinhart, I sincerely believed that that Questions  
3 A-12 or A-13 were limited to situations where "the Applicant or any of its officers, directors,  
4 partners or managers" was a party to the criminal, civil or regulatory proceeding.

5 8. Based on my reading of the question, and the advice of our national  
6 telecommunications regulatory counsel, we did not address the Inter-Tel matter described on page  
7 6 of the Staff Report dated May 2, 2011 in this docket. It was my sincere belief that the Inter-Tel  
8 matter was not within the scope of Questions A-12 and A-13. I had this belief because Mr.  
9 Mihaylo had no role in the underlying wrongdoing at issue in the Inter-Tel matter, and because  
10 Inter-Tel was not the applicant (or indeed, even an affiliate of the applicant).

11 9. My understanding is that when Mr. Mihaylo became aware of the improper conduct  
12 of an Inter-Tel sales representative, he reported the conduct to the FBI. Mr. Mihaylo's only role in  
13 the Inter-Tel matter was in participating in negotiations with the United States Department of  
14 Justice (DOJ), and in signing the resulting plea agreement.

15 10. At the time I signed the application, I believed that Mr. Mihaylo had no  
16 involvement in the conduct that resulted in the plea agreement and FCC order. After further  
17 investigation, I have confirmed that this is the case - Mr. Mihaylo had no involvement in the  
18 underlying wrongdoing. Indeed, Mr. Mihaylo reported the wrongdoing to the government when it  
19 came to his attention.

20 11. To the best of my knowledge after investigation, I do not believe that Mr. Mihaylo  
21 was a target of the DOJ and FCC investigations of the Inter-Tel matter. In addition, it is my  
22 understanding that the FBI reported that they had no evidence of any wrongdoing by Mr. Mihaylo.

23 12. Again, Mr. Mihaylo's only role in the Inter-Tel criminal and FCC matters was in  
24 negotiating and signing the plea agreement in his role as Chairman and CEO of Inter-Tel.

25 13. To the best of my knowledge after reasonable investigation, no criminal, civil or  
26 regulatory penalties have ever been issued against Mr. Mihaylo.


27

ROSHKA DEWULF & PATTEN, PLC  
ONE ARIZONA CENTER  
400 EAST VAN BUREN STREET - SUITE 800  
PHOENIX, ARIZONA 85004  
TELEPHONE NO 602-256-6100  
FACSIMILE 602-256-6800

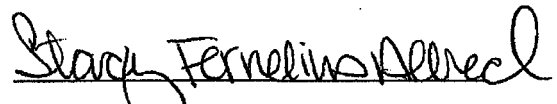
1 14. At the time I answered questions A-12 and A-13 and signed the certification of the  
2 application, I was not aware that the ACC Staff had a different interpretation of those questions  
3 than I did.

4 15. I regret the misunderstanding between Crexendo and ACC Staff regarding the  
5 meaning of questions A-12 and A-13.

6 16. At all times, it has been my intention, and Crexendo's intention, to accurately and  
7 completely answer all questions from the ACC and its Staff.

8  
9  
10  
11   
JEFFREY G. KORN

12  
13 SUBSCRIBED AND SWORN BEFORE ME THIS 23 DAY OF May 2011  
14

15  
16   
17 Notary Public

18 [SEAL]

19 My commission expires: 9-05-2014  
20



**EXHIBIT**

**"C"**

| State       | Filing Information   | Status   |
|-------------|--|--|
| Alabama     | 9/23/10 Docket No. 31495<br>(IXC & CLEC)   | IXC & CLEC approved 12/15/10                               |
| Alaska      | Sent 7/18/11<br>(IXC & CLEC)   | Pending  |
| Arizona     | 4/13/10 Docket No. T-20737A-10-0144<br>(IXC & CLEC)<br>10/12/10 Amendment to add facilities-based CLEC | Staff recommends denial<br>Hearing set for August 25, 2011 |
| Arkansas    | 5/18/2010 Docket No. 10-044-U<br>(IXC)   | IXC approved 6/9/10  |
|             | 5/18/2010 Docket No. 10-043-U<br>(CLEC)  | Pending  |
| California  | 4/2/10 Proceeding No. A1004015 (IXC & CLEC)<br>Decision No. 10-09-009<br>Utility No. U-7199-C          | IXC & CLEC Approved 9/2/10                                 |
| Colorado    | 11/1/10 Docket No. 10-A-787-T<br>(CLEC)  | CLEC Approved 1/19/11                                      |
|             | 11/1/10 (IXC)  | IXC Registration accepted 11/1/10                          |
| Connecticut | 3/29/11 Docket No. 11-03-11<br>(IXC & CLEC)  | Pending  |
| D.C.        | 10/28/10<br>Order No.<br>(CLEC)<br>IXC not regulated   | CLEC Approved 11/16/10<br>IXC not regulated                |

| State    | Filing Information   | Status  |
|----------|--|---|
| Delaware | 2/23/11 PSC Docket No. 11-113<br>(IXC & CLEC)                            | IXC & CLEC Approved 5/23/11                     |
| Florida  | 3/31/10 Docket No. 100163-TX<br>(CLEC) Final Order No. PSC-10-0375-CO-TX | CLEC Approved 6/14/10<br>Certificate No. 8788   |
|          | 4/2/10 Docket No. 100171-TI<br>(IXC)                                     | IXC Registration Effective 4/2/10               |
|          | 4/5/10 Docket No. 31685-U (CLEC)   | CLEC Approved 7/6/10 Certificate No. L-0487     |
| Georgia  | 4/5/10 Docket No. 31689-U (IXC)  | IXC Approved 7/6/10 Certificate No. R-1081      |
| Hawaii   | 1/7/11 Docket No. 2011-0007<br>(IXC & CLEC)                              | Decision & Order<br>IXC & CLEC Approved 3/10/11 |
| Idaho    | 6/11/10 Docket No. CBS-T-10-01<br>Order No. 32040<br>(CLEC)              | CLEC – Approved 7/29/10<br>Certificate No. 496  |
|          | 6/9/10 (IXC)   | IXC Tariff Effective 6/21/10                    |
| Illinois | 7/7/10 Docket No. 10-0435<br>(IXC & CLEC)                                | IXC & CLEC Approved 9/9/10                      |
| Indiana  | 3/17/10 IRC Cause No. 43871<br>(IXC & CLEC)                              | IXC & CLEC Approved 4/21/10                     |
| Iowa     | 6/16/10 Docket TCU-2010-0004<br>(CLEC)<br>Sent 8/26/10 Address Change    | CLEC approved 8/3/10                            |
|          | 8/27/10 (IXC) REG-4137   | Registration Accepted 8/27/10                   |

| State         | Filing Information  | Status  |
|---------------|---|---|
| Kansas        | 5/18/2010 Docket No. 10-CRXT-744-COC (CLEC)   | CLEC approved 7/13/10   |
|               | 5/18/2010 Docket No. 10-CRXT-743-COC (IXC)  | IXC approved 7/13/10  |
|               | 5/17/10<br>Filing No. TFS 2010-00307<br>IXC utility ID 5179280<br>CLEC utility ID 5056580 | IXC & CLEC Effective 5/17/10                                    |
| Louisiana     | 8/30/10 Docket No. S-31513<br>(IXC & CLEC)  | IXC & CLEC Effective 5/09/11                                    |
| Maryland      | 2/16/11 TE# 10410 ; Mail Log # 128625<br>(IXC & CLEC)                                     | On August 10, 2011 Agenda                                       |
| Massachusetts | 9/2/10 (CLEC & IXC)<br>(no docket # assigned)   | IXC & CLEC Effective 10/14/10                                   |
| Michigan      | 6/18/10 MPSC Case No. U-16389<br>(CLEC)   | CLEC Temporary License Granted 7/27/10<br>Perm. License 9/28/10 |
|               | 6/15/10 (IXC)   | IXC Registration Accepted 6/15/10                               |
| Minnesota     | 3/18/10 Docket No. P6841/NA-10-248<br>(IXC & CLEC)  | IXC Approved 5/14/10<br>CLEC Conditional Approval 5/14/10       |
| Mississippi   | 7/13/10 Docket No. 10-UA-265<br>(IXC & CLEC)  | IXC & CLEC Approved 10/5/10                                     |

| State                | Filing Information  | Status   |
|----------------------|---|--|
| <b>Missouri</b>      | 7/10/10 Docket CA-2011-0011 (CLEC)  | CLEC Effective 9/18/10                           |
|                      | 7/10/10 Docket XA-2011-0010 (IXC)   | IXC Effective 8/23/10                            |
| <b>Montana</b>       | 6/9/10 Service Provider Reg. via web and 7/26/10 original filing to Commission (IXC & CLEC) | IXC & CLEC Svc. Provider Reg. accepted 7/12/10   |
|                      | 6/9/10 Telecomm. Carrier Reg. (IXC & CLEC)  | IXC & CLEC Carrier Reg. accepted 6/9/10          |
| <b>Nebraska</b>      | 6/30/10 Application No. C-4287 (IXC & CLEC)   | IXC&CLEC Approved 8/10/10                        |
| <b>Nevada</b>        | 7/20/10 Docket No. 10-07017 (CLEC & IXC)  | Order Issued 3/3/11 CPC                          |
| <b>New Hampshire</b> | 7/12/10 Authorization No. CL-07-001-10 (CLEC)   | CLEC Approved 7/20/10                            |
|                      | 7/12/10 Authorization No. IXC -07-001-10 (IXC)  | IXC Approved 7/20/10                             |
| <b>New Jersey</b>    | 3/19/10 (CLEC & IXC Resale)   | CLEC & IXC Resale Registration Effective 3/19/10 |
|                      | 3/23/10 Docket No. TE10030204 (CLEC FB)   | CLEC FB Approved 6/7/10                          |
| <b>New Mexico</b>    | 6/25/10 (CLEC)  | CLEC Approved 9/2/10                             |
|                      | 6/25/10 (IXC)   | IXC Approved 8/10/10                             |
| <b>New York</b>      | 3/31/10 Case No. 10-00787-C (IXC & CLEC)  | IXC & CLEC Approved 4/14/10                      |

| State          | Filing Information   | Status   |
|----------------|--|--|
| North Carolina | 7/14/10 Docket No. P-1516 Sub 0 (IXC)  | IXC approved 12/3/10   |
|                | 7/14/10 Docket No. P-1516 Sub 1 (CLEC)   | CLEC approved 2/2/11   |
| North Dakota   | 6/29/10 (IXC & CLEC)   | IXC & CLEC Registration accepted 6/29/10   |
| Ohio           | 6/29/11 Case No. 11-4158-TP-ACE (IXC & CLEC)   | Pending  |
| Oklahoma       | 8/30/10 Cause No. PUD 201000126 (IXC & CLEC)   | IXC & CLEC Approved 3/18/11  |
| Oregon         | 6/9/10 Order No. 10-280 CP No. 1485 (IXC & CLEC)   | IXC & CLEC approved 7/23/10  |
| Pennsylvania   | 3/31/10 Docket A-2010-2170383 (IXC)<br>A-2010-2170384 (CLEC VZ PA)<br>A-2010-2170385 (CLEC VZ N) | IXC approved 6/16/10<br>Provisional Authority granted 4/16/10<br>CLEC approved 6/16/10 – Tariff eff. 7/21/10 |
| Rhode Island   | 6/21/10 Docket No. 4187 (IXC & CLEC)   | IXC & CLEC approved 7/14/10  |
| South Carolina | 7/26/10 Docket 2010-252-C (IXC & CLEC)   | Denied, but denial vacated<br>Application Withdrawn  |
| South Dakota   | 9/2/10 Docket No. TC10-088 (IXC & CLEC)  | IXC & CLEC approved 11/16/10   |
| Tennessee      | 4/13/11 Docket No. 11-00051 (IXC & CLEC)   | Hearing set for August 22, 2011  |

| State                | Filing Information  | Status                                  |
|----------------------|---|---|
| <b>Texas</b>         | 10/29/10 Docket No. 38857<br>(CLEC)                                 | CLEC approved 12/9/10                   |
| <b>Utah</b>          | 10/22/10 Registration (IXC)   | IXC Effective 10/22/10                  |
|                      | 12/20/10 Docket No. 10-2532-01<br>(CLEC)                            | CLEC Approved 1/13/11                   |
|                      | 12/20/10 (IXC)  | IXC Notice acknowledged 12/20/10        |
| <b>Vermont</b>       | 7/12/10 CPG No. 923-CR<br>(IXC & CLEC)<br>DPS Rec. Approval 7/23/10 | IXC & CLEC approved 8/3/10              |
| <b>Virginia</b>      | 3/31/11 Docket No. PUC-2011-00031<br>(IXC & CLEC)                   | Pending                                 |
| <b>Washington</b>    | 7/8/10 Docket UT-101185<br>(IXC & CLEC)                             | IXC & CLEC Effective 8/7/10             |
| <b>West Virginia</b> | 6/30/10 Case No. 10-0972-T-CN<br>(IXC & CLEC)                       | IXC&CLEC approved 10/15/10<br>Effective |
| <b>Wisconsin</b>     | 6/10/10 Docket No. 1432-NC-100<br>(IXC & CLEC)                      | IXC & CLEC approved 6/19/10             |
| <b>Wyoming</b>       | 6/9/10 Docket No. 70220-1-TA-10<br>(CLEC)                           | CLEC Approved 10/18/10                  |
|                      | 6/9/10 Docket No. 74693-1-TX-10<br>(IXC)                            | IXC Registration Effective 6/9/10       |
| <b>FCC</b>           | 214 File No. ITC-214-20100310-00110<br>4/2/10 Public Notice         | Approved<br>4/16/10                     |

**EXHIBIT**

**"D"**

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA  
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER

☐

DATE

November 10, 2010

MOTOR CARRIER MATTER

☐

DOCKET NO.

2010-252-C

UTILITIES MATTER

☒

ORDER NO.

**SUBJECT:**

DOCKET NO. 2010-252-C - Application of Crexendo Business Solutions, Incorporated for a Certificate of Public Convenience and Necessity to Provide Interexchange and Local Exchange Telecommunications Services and for Alternative Regulation and Flexible Regulations - Discuss this Matter with the Commission.

**COMMISSION ACTION:**

Move that we reject the proposed order in this case, and deny the Certificate, based on the recommendation of the Hearing Examiner. South Carolina Code Ann. Section 58-9-280 (B) (5) states that the Commission may require that provision of the service does not otherwise adversely impact the public interest. In this case, record material furnished by the Applicant shows that the Applicant's parent corporation has run into difficulty in several jurisdictions with allegations of misleading sales practices, resulting in litigation. In the present case, the telephone company has tied itself to the parent corporation that has been accused of the misleading practices. Such actions adversely impact the public interest and the Certificate should be denied.

PRESIDING: HowardSESSION: RegularTIME: 2:30 p.m.

|           | MOTION                              | YES                                 | NO                       | OTHER |
|-----------|-------------------------------------|-------------------------------------|--------------------------|-------|
| FLEMING   | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |       |
| HALL      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |       |
| HAMILTON  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |       |
| HOWARD    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |       |
| MITCHELL  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |       |
| WHITFIELD | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |       |
| WRIGHT    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |       |

(SEAL)

RECORDED BY: J. Schmieding

EXHIBIT

"E"

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA  
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER



DATE

December 01, 2010

MOTOR CARRIER MATTER



DOCKET NO.

2010-252-C

UTILITIES MATTER



ORDER NO.

**SUBJECT:**

DOCKET NO. 2010-252-C – Application of Crexendo Business Solutions, Incorporated for a Certificate of Public Convenience and Necessity to Provide Interexchange and Local Exchange Telecommunications Services and for Alternative Regulation and Flexible Regulations - Discuss this Matter with the Commission.

**COMMISSION ACTION:**

Noting that there is no objection from the parties and based upon the recommendation of Hearing Examiner David Butler, move to grant the request of Crexendo Business Solutions, Inc. to withdraw without prejudice its Application for a Certificate of Public Convenience and Necessity in Docket No. 2010-252-C. Also move to grant the Company's request to vacate the Commission Directive of November 10, 2010. However, move to deny the request to remove all documents filed in this docket currently residing on the Commission's Document Management System until such time that Crexendo presents evidence that this information is entitled to confidential treatment under the South Carolina Freedom of Information Act.

PRESIDING: WrightSESSION: RegularTIME: 2:30 p.m.

|           | MOTION                              | YES                                 | NO                       | OTHER         |
|-----------|-------------------------------------|-------------------------------------|--------------------------|---------------|
| FLEMING   | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |               |
| HALL      | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |               |
| HAMILTON  | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |               |
| HOWARD    | <input type="checkbox"/>            | <input type="checkbox"/>            | <input type="checkbox"/> | <u>Absent</u> |
| MITCHELL  | <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <input type="checkbox"/> |               |
| WHITFIELD | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |               |
| WRIGHT    | <input type="checkbox"/>            | <input checked="" type="checkbox"/> | <input type="checkbox"/> |               |

Attending the NAWC Water Policy Forum in  
Sarasota, Florida

(SEAL)

RECORDED BY: J. Schmieding

# EXHIBIT

"F"

BEFORE  
THE PUBLIC SERVICE COMMISSION OF  
SOUTH CAROLINA  
DOCKET NO. 2010-252-C - ORDER NO. 2010-808

DECEMBER 10, 2010

|  |   |  |
|--|---|--|
| IN RE: Application of Crexendo Business Solutions, Inc. for a Certificate of Public Convenience and Necessity to Provide Interexchange and Local Exchange Telecommunications Services and for Alternative Regulation and Flexible Regulation | ) | ORDER VACATING<br>PRIOR DIRECTIVE AND<br>ALLOWING<br>WITHDRAWAL OF<br>APPLICATION WITHOUT<br>PREJUDICE |
|--|---|--|

This matter comes before the Public Service Commission of South Carolina ("Commission") on the motion of Crexendo Business Solutions, Inc. ("Crexendo" or "the Company") to vacate the directive of November 10, 2010 in this Docket. The Company further moves to be allowed to withdraw its Application without prejudice. Crexendo also moves that the Application and all attendant documents filed in this Docket on the Commission's Docket Management System (DMS) be removed therefrom. Because of the reasoning below, we grant vacation of the directive of November 10, 2010, and we hold that the Company should be allowed to withdraw its Application without prejudice. However, we deny so much of the motion that requests removal of materials from the DMS at this time, subject to one condition.

The Company filed an Application for authority to provide local and interexchange telecommunications services. After an October 18, 2010, hearing before Hearing Examiner David Butler, this Commission issued a directive on November 10, 2010, which denied the Application. Both the Company and the Office of Regulatory

Staff filed subsequent documents requesting vacation of the directive, and requesting that they be given the opportunity to respond to a proposed order which would be furnished by the Hearing Examiner prior to this Commission again ruling on the merits of the case. Subsequently, however, Crexendo, with no objections from the other parties to the case, filed a substitute motion requesting the following relief: 1) that the Commission Directive of November 10, 2010 be vacated; 2) that the Company be permitted to withdraw its Application without prejudice; and 3) that the Application and all attendant documents filed in this case on the Commission's Docket Management System (DMS) be removed therefrom.

S.C. Code Ann. Section 58-3-225 (E) (Supp. 2009) states as follows:

A party may withdraw its petition, application, complaint, counterclaim, cross-claim, or third-party claim from any commission docket one time as a matter of right, and without prejudice, provided that it does so prior to the later of the date that responsive pleadings are filed or the date that the withdrawing party's direct testimony addressing such petition, application, complaint, counterclaim, cross-claim, or third-party claim is due to be filed with the commission. **A party may thereafter withdraw its petition, application, complaint, counterclaim, cross-claim, or third-party claim from any commission docket only upon order of the commission and upon such terms and conditions as the commission considers proper (emphasis added).**

We have examined the present Docket, and have no issue in this case with Crexendo's motion to be allowed to withdraw its Application without prejudice at this time. We note that there is no opposition from any party. Crexendo shall be allowed to withdraw its Application without prejudice, and Crexendo is hereby deemed to have withdrawn its Application without prejudice. Logically then, the directive issued on November 10, 2010, must be, and is hereby vacated.

The request to remove the Application and all attendant documents in this case from the Commission's DMS, is, however, somewhat problematic, since documents filed with this Commission are subject to the Freedom of Information Act (FOIA), found in S.C. Code Ann. Section 30-4-10, *et seq.* S.C. Code Ann. Section 30-4-15 states, in part, that "provisions of the chapter must be construed so as to make it possible for citizens, or their representatives, to learn and report fully the activities of their public officials at a minimum cost or delay to the persons seeking access to public documents or meetings." Further, S.C. Code Ann. Section 30-4-20 (c) defines "public record" as including "all books, papers, maps, photographs, cards, tapes, recordings, or other documentary materials ... in the possession of, or retained by a public body." Although certain exceptions to the definition of "public record" are also contained in the FOIA, it is clear that, unless a document comes under one of these exceptions, the materials filed on the DMS clearly constitute a "public record," subject to the Freedom of Information Act.

Accordingly, we hold that unless and until Crexendo can present evidence that the materials that it seeks to have removed from the Docket Management System come under one or more of the exceptions to the FOIA and would therefore be entitled to confidential treatment, we must deny the portion of Crexendo's motion which seeks removal of the materials from the DMS. Because of this reasoning,

IT IS THEREFORE ORDERED:

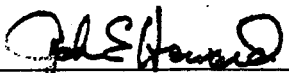
1. That the Application in this Docket is hereby deemed withdrawn, without prejudice;
2. That the Directive issued November 10, 2010, is hereby vacated;

3. That the portion of the motion requesting removal of the Application and all attendant documents from the Commission's Docket Management System is hereby denied, unless and until such time as the Company presents evidence that this information, or any portion thereof, is entitled to confidential treatment by virtue of it falling under one or more exceptions to the "public" declaration of documents under the Freedom of Information Act;

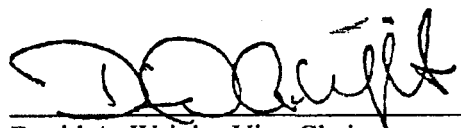
4. That any outstanding motions remaining in this Docket not ruled upon in this Order are hereby declared to be moot;

5. That this Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

  
\_\_\_\_\_  
John E. Howard, Chairman

ATTEST:

  
\_\_\_\_\_  
David A. Wright, Vice Chairman

(SEAL)